



**COUNTY OF LOS ANGELES
DEPARTMENT OF AUDITOR-CONTROLLER**

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January 31, 2011

TO: Supervisor Michael D. Antonovich, Mayor
Supervisor Gloria Molina
Supervisor Mark Ridley-Thomas
Supervisor Zev Yaroslavsky
Supervisor Don Knabe

FROM:

Wendy L. Watanabe
Auditor-Controller

SUBJECT: **TO HELP EVERYONE CLINIC, INC. – A DEPARTMENT OF PUBLIC
HEALTH HIV/AIDS CARE AND PREVENTION SERVICES PROVIDER**

We completed a fiscal review of To Help Everyone Clinic, Inc. (Agency), a Department of Public Health (DPH) HIV/AIDS care and prevention services provider. The purpose of our review was to determine whether the Agency provided the services to eligible participants and spent funds in accordance with the County contract. We also evaluated the adequacy of the Agency's accounting records, internal controls, and compliance with the contract and applicable guidelines. Contract services include providing HIV/AIDS outpatient mental health psychiatry, case management, and health education risk reduction services.

At the time of our review, DPH had two cost-reimbursement contracts with the Agency and paid the Agency \$546,448 from January 2008 to June 2009. The Agency is located in the Second District.

Results of Review

The Agency appropriately recorded and deposited cash receipts timely in the Agency's bank account. However, the Agency billed DPH's Office of AIDS Programs and Policy (OAPP) \$18,029 in questioned costs. Specifically, the Agency:

- Charged OAPP \$5,861 (\$2,616 + \$3,245) in unallowable program expenditures for laboratory test and radiology services provided to non-OAPP clients and unsupported consultant payments.

The Agency's attached Corrective Action Plan indicates that they will repay OAPP for the unallowable expenditures and have implemented controls to ensure that only allowable expenditures are charged to the OAPP program.

- Charged OAPP \$9,070 (\$7,390 + \$1,000 + \$680) in unsupported expenditures.

The Agency's attached Corrective Action Plan indicates that they will repay OAPP for the unsupported expenditures and update their Financial and Accounting Policies to require staff to ensure that adequate supporting documentation is maintained for all expenditures.

- Did not document the methodology used to allocate \$3,098 in shared costs charged to OAPP.

The Agency's attached Corrective Action Plan indicates that they will repay OAPP for their undocumented shared costs and update their Cost Allocation Plan.

The details of our review, along with recommendations for corrective action are attached.

Review of Report

We discussed our report with the Agency and OAPP. In their attached Corrective Action Plan, the Agency indicates that they will repay OAPP the \$18,029 (\$5,861 + \$9,070 + \$3,098) in questioned costs and have otherwise implemented the recommendations.

We thank the Agency's management for their cooperation and assistance during our review. Please call me if you have any questions, or your staff may contact Don Chadwick at (213) 253-0301.

WLW:MMO:JET:DC:EB

Attachment

- c: William T Fujioka, Chief Executive Officer
Jonathan E. Fielding, Director, Department of Public Health
Leon Watts, III, President, Board of Directors, T.H.E. Clinic, Inc.
Risë K. Phillips, Chief Executive Officer, T.H.E. Clinic, Inc.
Public Information Office
Audit Committee

**TO HELP EVERYONE CLINIC, INC.
HIV/AIDS CARE AND PREVENTION SERVICES
FISCAL YEARS 2007-08 AND 2008-09**

ELIGIBILITY

Objective

Determine whether the To Help Everyone Clinic, Inc. (Agency) provided services to individuals that met the eligibility requirements of the Department of Public Health's (DPH) Office of AIDS Programs and Policy (OAPP) program.

Verification

We reviewed the case files for 15 program participants that received services from March 2008 to February 2009 for documentation to confirm their eligibility for OAPP services.

Results

The Agency maintained appropriate documentation to support the participants' eligibility to receive program services.

Recommendation

None.

CASH/REVENUE

Objective

Determine whether cash receipts and revenue are properly recorded in the Agency's financial records and deposited timely into the Agency's bank account. In addition, determine whether there are adequate controls over cash, petty cash and other liquid assets.

Verification

We interviewed Agency personnel and reviewed their financial records. We also reviewed the bank reconciliation for July 2009.

Results

The Agency appropriately recorded and deposited OAPP payments timely into the Agency's bank account and prepared monthly bank reconciliations. However, one bank reconciliation included two reconciling items totaling \$2,280 that were over six months

old. Subsequent to our review, the Agency canceled the two checks, re-issued one check and indicated that they would repay DPH \$680 for the other voided check which was not re-issued.

Recommendations

Agency management:

- 1. Repay DPH \$680.**
- 2. Ensure outstanding reconciling items are resolved timely.**

COST ALLOCATION PLAN

Objective

Determine whether the Agency's Cost Allocation Plan was prepared in compliance with the County contract and used to appropriately allocate shared program expenditures.

Verification

We reviewed the Agency's Cost Allocation Plan and reviewed a sample of shared expenditures incurred by the Agency between May 2008 and March 2009 to ensure that the expenditures were properly allocated to the OAPP program.

Results

The Agency's Cost Allocation Plan was prepared in compliance with the County contract. However, the Agency could not explain or provide documentation to support the basis used to distribute \$3,098 to OAPP for malpractice insurance. As a result, we were not able to determine the reasonableness of the expenditure charged.

Recommendation

- 3. Agency management provide documentation to support the allocated expenditure or repay DPH \$3,098.**

EXPENDITURES

Objective

Determine whether program-related expenditures are allowable under the County contract, properly documented, and accurately billed to the program.

Verification

We interviewed Agency personnel, reviewed financial records and reviewed documentation for 31 non-payroll expenditure transactions charged to OAPP from May 2008 to April 2009, totaling \$45,982.

Results

The Agency charged OAPP for unallowable expenditures and did not maintain appropriate documentation to support program expenditures. Specifically, the Agency billed OAPP:

- \$2,616 for laboratory test and radiology services provided to non-OAPP clients.
- \$4,800 for consultant payments that were not adequately documented. The consultant provides services to OAPP and non-OAPP clients and the Agency did not provide documentation that showed the billing was entirely related to the OAPP program. Subsequent to our exit conference, the Agency provided additional documentation to support \$1,555 of the questioned services. As a result, the unallowable amount was reduced to \$3,245 (\$4,800 - \$1,555).
- \$1,000 for gift card purchases that were not supported by vendor invoices or receipts. In addition, the Agency did not maintain distribution logs to support the \$1,000 in gift cards distributed to clients as incentives.

Recommendations**Agency management:**

4. Repay DPH \$6,861 (\$2,616 + \$3,245 + \$1,000) or provide support for the undocumented expenditures.
5. Ensure that adequate supporting documentation is maintained for all OAPP expenditures.
6. Ensure that only allowable expenditures are charged to the OAPP program.
7. Require signatures from program participants upon receipt of gift cards on a distribution log.

FIXED ASSETS AND EQUIPMENT

Objective

Determine whether the Agency's fixed assets and equipment purchases made with OAPP funds are used for the OAPP program and are safeguarded.

We did not perform test work in this section, as the Agency did not use OAPP funds to purchase fixed assets.

Recommendation

None.

PAYROLL AND PERSONNEL

Objective

Determine whether payroll expenditures are appropriately charged to the OAPP program. In addition, determine whether personnel files are maintained as required.

Verification

We traced payroll expenditures for ten program employees totaling \$19,290 to the payroll records and benefit remittance invoices for December 2008 and January 2009. We also reviewed the employees' personnel files.

Results

The Agency's salaries and employee benefits were properly supported and appropriately charged to the OAPP program. The Agency also maintained personnel files as required by the County contract.

Recommendation

None.

COST REPORTS

Objective

Determine whether the Agency's Cost Reports reconcile to the Agency's financial accounting records.

Verification

We traced the Agency's Cost Reports for the periods ending December 2008, February 2009, May 2009 and June 2009 to the Agency's general ledgers.

Results

The expenditures reported in the Agency's Cost Reports exceeded their accounting records by \$10,962. Subsequent to our exit conference, the Agency provided documentation to support \$3,572 in undocumented costs. As a result, the unsupported costs were reduced to \$7,390 (\$10,962 - \$3,572).

Recommendations**Agency management:**

8. Repay DPH \$7,390 or provide documentation to support the unsupported expenditures.
9. Ensure Cost Reports are supported by the Agency's accounting records.

TO HELP EVERYONE CLINIC, INC.
HIV/AIDS CARE AND PREVENTION SERVICES
FISCAL YEAR 2008-09

<u>Contract/Program Expenditures</u>	<u>Unsupported Cost Report Amounts</u>	<u>Insufficiently Documented</u>	<u>Unallowable</u>
HERR (H700873 Sch 4)			
Incentives		\$1,000	
Voided Check		680	
 HERR (H700873 Sch 5)			
Salaries	\$777		
 Medical Outpatient (H209012 Sch 57)			
Program Supplies	3,702		
Radiology	1,520		
Consultant			\$3,245
Insurance		3,098	
Laboratory			1,838
 Medical Outpatient (H209012 Sch 64)			
Laboratory	1,391		778
 Total	<u>\$7,390</u>	<u>\$4,778</u>	<u>\$5,861</u>



September 23, 2010

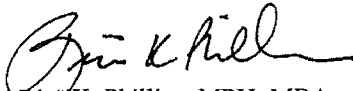
Wendy L. Watanabe
Auditor-Controller
Kenneth Hahn Hall of Administration
500 West Temple Street, Room 525
Los Angeles, CA 90012-3873

Dear Ms. Watanabe,

T.H.E. has completed the recommended corrective action plan, in response to the fiscal review conducted in relation to our Office of AIDS Programs and Policy (OAPP) contract during the period of June 2008 to June 2009. Please see the corrective action plan enclosed for your review.

Please call me if you have any questions at (323) 730-9120 Ext. 3007.

Sincerely,



Rise K. Phillips, MPH, MBA
Chief Executive Officer

Attachment

Cc: Supervisor Gloria Molina, Chair
Supervisor Mark Ridley-Thomas
Supervisor Zev Yaroslavsky
Supervisor Don Knabe
Supervisor Michael D. Antonovich
William T. Fujioka, Chief Executive Officer
Jonathan E. Fielding, Director, Department of Public Health
Public Information Office
Audit Committee

T.H.E. Clinic, Inc.
3834 S. Western Avenue
Los Angeles, CA 90062

Office of AIDS Programs and Policy (OAPP)

CORRECTIVE ACTION PLAN
(Time Period January 2008 to June 2009)

Summary Statement Recommendations	Plan of Corrective Action	Person Responsible	Completion Date
1. Repay DPH \$680.	A check in the amount of \$18,029 will be mailed to DPH by 10/31/10.	Chief Financial Officer, Manager of Accounting	10/31/10
2. Ensure outstanding reconciling items are resolved timely.	The new Manager of Accounting revised the policy to ensure that all reconciling items are cleared after 3 months.	Chief Financial Officer, Manager of Accounting	9/30/10
3. Agency management provide documentation to support allocated expenditure or repay DPH \$3,098.	A check in the amount of \$18,029 will be mailed to DPH by 10/31/10. The Financial Analyst updated the Cost Allocation Plan and documentation is now maintained in the files to support allocation of expenses.	Chief Financial Officer, Manager of Accounting, Financial Analyst	10/31/10,
4. Repay DPH \$6,861 (\$2,616 + \$3,245 + \$1,000) or provide support for the undocumented expenditures.	A check in the amount of \$18,029 will be mailed to DPH by 10/31/10.	Chief Financial Officer, Manager of Accounting	10/31/10
5. Ensure that adequate supporting documentation is maintained for all OAPP expenditures.	Financial and Accounting Policies have been updated to ensure that adequate supporting documents are maintained for all expenditures.	Chief Financial Officer, Financial Analyst, Manager of Accounting	9/30/10

6. Ensure that only allowable expenditures are charged to the OAPP program.	Financial and Accounting Policies have been updated to ensure that adequate supporting documents are maintained for all expenditures and that controls and reviews are in place to ensure that only allowable expenditures are charged to the OAPP program.	Chief Financial Officer, Financial Analyst, Manager of Accounting	9/30/10
7. Require signatures from program participants upon receipt of gift cards on a distribution log.	Policies have been updated to require signatures from recipients if gift cards are distributed to program participants.	Chief Financial Officer, Financial Analyst, Manager of Accounting, Program Manager	9/30/10
8. Repay DPH \$7,390 or provide documentation to support the unsupported expenditures.	A check in the amount of \$18,029 will be mailed to DPH by 10/31/10.	Chief Financial Officer, Manager of Accounting	10/31/10
9. Ensure Cost Reports are supported by the Agency's accounting records.	Financial and Accounting Policies and Procedures have been updated to ensure that Cost Reports are supported by T.H.E.'s Accounting Records.	Chief Financial Officer, Financial Analyst, Manager of Accounting	9/30/10